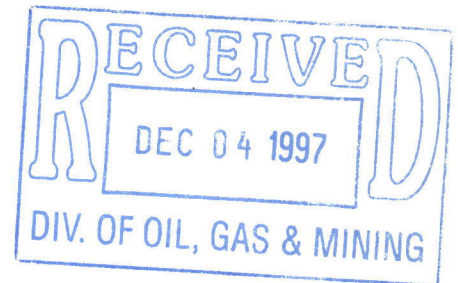




United States Department of the Interior

BUREAU OF LAND MANAGEMENT
CEDAR CITY DISTRICT
BEAVER RIVER RESOURCE AREA
176 East D.L. Sargent Dr.
Cedar City, Utah 84720



CERTIFIED MAIL P 223 667 906
RETURN RECEIPT REQUESTED

In Reply Refer to:
UT-044
3809, UTU-68565

December 2, 1997

Mr. Rex Day
Red Emerald Inc.
P.O. Box 576
Delta, Utah 84624

Dear Mr. Day:

This letter is in regard to a mining disturbance located about one mile north of Bumblebee Mountain, within Sec. 29, T. 29 S., R. 14 W., Beaver County, Utah. The disturbance, referred to as the Red Emerald Mine, is located entirely on Federal lands within this office's jurisdiction. The original notice of intent filed for this operation designated Rancho Equipment Services as operator, and was filed and signed by yourself on August 22, 1991 (copy enclosed). The site is permitted with the State of Utah, Division of Oil, Gas, and Mining as a small mining activity, Violet/Red Beryl Project. The notice was assigned to BLM case file UTU-68565, and State of Utah small mining operation case file S/001/011.

On June 16, 1995, this office sent a letter informing you that the mining operation had exceeded the five acre limitation for notice-level work. The letter also granted a delay from the normal requirement of submitting a plan of operations and posting a bond. This delay was based on the belief that Kennecott Minerals, who had an option to purchase the property, might soon become responsible for the plan submittal and bonding. More than two years has passed, and Kennecott Minerals, nor their successor, Gemstone Mining Inc. (GMI), has exercised their option to buy the property. This office has determined that it would be inappropriate to grant any further delay for the submission of the plan of operation and posting of a reclamation bond.

On October 16, 1997, I obtained a copy of a map (copy enclosed) prepared by GMI Geologists of the entire minesite disturbance and a portion of the access road. I visited the site on October 22 to check the accuracy of this map, and am satisfied that it accurately depicts the present disturbances on the ground. The site disturbances attributable to GMI are depicted by dashed lines. The remaining areas of disturbances are the responsibilities of Kennecott Minerals, Rex Harris and yourself. This map is likely the most detailed and accurate map available for the site, and we would suggest that you utilize it as a base map for your plan of operation submission and bonding estimate.

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You will be given 60 days from the receipt of this letter to submit the plan of operation and post the necessary reclamation bond for the disturbances for which you have, or will be, performing under this plan of operations. Failure to submit the plan of operations and bond within the 60 day deadline will result in a notice of non-compliance being issued in accordance with 43 CFR 3809.3-2(a). The BLM in Utah has a memorandum of understanding with the State of Utah to allow the State to act as lead agency for plan submission and bonding. Please utilize the State's Plan of Operation format for your plan submittal.

If you have any questions, feel free to contact me at this office, (435) 865-3040.

Sincerely,



Ed Ginouves
Mining Engineer

XC: Tom Munsen, DOGM

Enclosures:

1. Copy of Notice UTU-68565
2. Copy of GMI Ruby Violet Property Map